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DEPARTMENT PASS TO USTR

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TAGS: [PGOV](#) [PREL](#) [ECON](#) [ETRD](#) [ELAB](#) [SCUL](#) [EAID](#) [KJUS](#) [HO](#)
SUBJECT: AMBASSADOR'S VISIT TO SAN PEDRO SULA

REF: A. 1995 TEGUCIGALPA 6892
[1B.](#) 1996 TEGUCIGALPA 2663
[1C.](#) 1997 TEGUCIGALPA 2858

Classified By: Ambassador Hugo Llorens for reasons 1.4 b and d.

[11.](#) (SBU) Summary: The Ambassador visited San Pedro Sula, Honduras' commercial capital, February 4-6. This was the Ambassador's first high-profile series of public events since the June 28 coup d'tat. He met with the mayor, the maquila association, the Chamber of Commerce, and the editors of El Tiempo, a national newspaper based in the city. In addition, he visited a youth education program and delivered a speech at the Rotary Club. The newly elected mayor presented a concrete list of priorities for the financially troubled city. While some members of the business community expressed disagreement with the U.S. government's strong opposition to the coup d'tat, all were focused on the future and were eager for opportunities for engagement with the U.S. and a more favorable trade and investment climate. Residents were enthusiastic about the Ambassador's return to their city, and his visit received positive press coverage. End summary.

Chamber of Commerce

[12.](#) (SBU) At a breakfast with the Cortes Chamber of Industry and Commerce, the Ambassador provided background on the USG's policy towards Honduras in the wake of the June 28 coup d'tat. The Ambassador explained that the US approach was both principled and pragmatic. Several of the participants expressed differences with the U.S. position. Nevertheless, all were very much focused on the future and the discussion was substantive based on developing a working agenda to strengthen U.S.-Honduran trade and investment ties. Issues covered included the need for the Honduras government to adopt a combination of policies in support of free markets, but designed to help the poorest and most marginalized Hondurans. All supported common efforts to provide assistance to small farmers as a means to reduce poverty in rural areas. The Ambassador discussed prospects for organizing a trade and investment missions organized by the Denver-based Chamber of the Americas in late July. Chamber members expressed support for past Embassy efforts to promote renewable energy and to seek to develop mechanisms to channel remittance resources for investment purposes. The poultry producers raised their interest in complying with USDA

requirements to be able to be certified to export to the U.S. market.

Maquila Association

¶ 13. (SBU) Representatives of the Honduras Maquila Association (AHM), led by association president Daniel Facusse, told the Ambassador that the companies within the association, 40 percent of which are American-owned, had lost 30,000 jobs due to the economic downturn and political crisis. He expressed concern about rules of origin under the Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) that require materials to be sourced from CAFTA countries. This, they said, is hurting their competitiveness, particularly since Nicaragua has an exemption from the sourcing requirements. (Following the meeting, the Embassy provided information on how to apply for modifications to the sourcing requirements.)

¶ 14. (C) The maquila representatives expressed concern about rules that allow unions to represent workers, including for the purpose of collective bargaining, if 30 or more employees of the company belong to the union. This, they said, allows unions supported by only a small minority of workers to dictate the terms of the employer-employee relationship, often against other employees' wishes. The maquila owners said that they are pressing for a change that would allow for a majority vote among workers on whether a union has the right to represent them. A draft government regulation to this effect was in the works, they said. They told the Ambassador that this was a sensitive matter and requested that he not discuss it with other Hondurans. Asked by the Ambassador what percentage of maquilas are unionized, the maquila owners acknowledged that it was low. The Ambassador agreed to look into the issue. (Note: Though the AHM representatives described these rules as originating with a 1995 labor-management agreement facilitated by then-A/USTR Jon Rosenbaum, that agreement contains no such provision. Instead, it urges movement toward an agreement allowing union representation if a majority of a company's employees are in favor (reftels). End note.)

¶ 15. (SBU) Jesus Canahuati, who preceded Facusse as AHM's president, told the Ambassador that the macroeconomic environment is also damaging the Honduran maquilas' competitiveness. As a result of the increasingly overvalued Lempira, he said, Honduras is finding it harder to compete with other countries in the region, including Mexico, Colombia, and Brazil. He said that he was pleased about the appointment of Minister of Labor Felicito Avila. Canahuati urged the Ambassador to encourage President Lobo to create a stable macroeconomic environment. "Without that, we're not going to succeed," he concluded.

Rotary Club Address

¶ 16. (SBU) During an address to the Rotary Club, the Ambassador articulated U.S. policy toward Honduras during and beyond the crisis. He praised President Lobo for taking steps to restore democracy and for placing an emphasis on national reconciliation, including through the planned establishment of a truth commission. The Ambassador noted that President Obama had called in his State of the Union Address for greater cooperation between Republicans and Democrats, and noted that this approach is needed in Honduras as well. Several American Rotarians were in the audience, and the Ambassador praised the charitable work that they and their fellow American Rotarians have carried out in Honduras over the years.

Meeting with Mayor

¶ 17. (SBU) The Ambassador met with newly elected San Pedro Sula mayor Juan Carlos Zuniga, whose administration faces financial difficulties due to poor fiscal policies under his

predecessor. Zuniga outlined a concrete list of priorities. He told the Ambassador that he is seeking dignified resettlement for 4,800 families who are living in unsanitary conditions on a riverbank in the city. He has only 10 million Lempiras (about USD 526,000) budgeted for the construction of 4,000 homes (i.e., about USD 130 per house). Another major problem is overcrowding in the city's prison; there are 4,500 prisoners in a building designed for 800. The most dangerous prisoners are not segregated from the rest of the prison population. Rehabilitation under these conditions is impossible. "You leave with a master's degree in crime," an aide to Zuniga commented. The Ambassador agreed to send the Tegucigalpa-based Regional Correctional Advisor to visit the prison and provide suggestions on low-cost improvements. (Note: This visit has been scheduled. End note.)

¶18. (SBU) Zuniga expressed concern about security in the city. An aide noted that a Mexican report had recently named San Pedro Sula the second most dangerous city in the world, after Ciudad Juarez. (Note: The study, which was reported in the Honduran newspaper El Heraldo, was based on official murder rates, with San Pedro Sula, as Zuniga noted, in second place, with 119 murders per 100,000 of population and Tegucigalpa in seventh place, with 69 per 100,000. However, there are probably a number of other cities around the world with higher murder rates but less accurate crime statistics. End note.) The aide said that the city is trying to develop a community policing system but lacks manpower, communication, and vehicles. Of 22 municipal vehicles, only one works. The Ambassador said that he understood what a difficult fiscal situation the city was in and said that the USG was committed to supporting Honduras's reengagement with the international community, which would lead to renewed donor funding. He suggested that the mayor ask the business community to donate vehicles to the municipality.

Microscholarship Event and Book Donations

¶19. (U) The Ambassador met with participants in the English Access Microscholarship Program at the San Pedro Sula Binational Center. About 70 participants in the program, which provides English instruction to gifted high school students from disadvantaged backgrounds, attended, along with local community leaders. The Ambassador congratulated the students for excelling academically in spite of the challenges of living in disadvantaged and dangerous areas and urged them to use their talents to contribute to Honduras's development. In response to questions from the students, the Ambassador provided advice on subjects ranging from professional development to avoiding drugs. The Ambassador made a donation of books to the center. The event received positive press coverage. Separately, the Ambassador's wife donated books to two local organizations. The wives of Mayor Zuniga and Minister of Foreign Affairs Mario Canahuati also participated. The donations also received positive press coverage.

Visit to El Tiempo Newspaper

¶10. (U) The Ambassador met with the owner and staff of the San Pedro Sula newspaper El Tiempo, which has nation-wide circulation. Participants included owner Carlos Rosenthal, editor German Quintanilla, and several journalists. During the off-the-record session, the Ambassador explained U.S. policy in Honduras. The Ambassador stressed the importance of fully implementing the Tegucigalpa-San Jose Accord. He praised President Lobo's success in creating a government of national unity and his efforts to establish a Truth Commission.

¶11. (SBU) Comment: The Ambassador's trip to San Pedro Sula was intended to demonstrate U.S. reengagement in Honduras following the restoration of democracy. The enthusiasm among the Ambassador's interlocutors and among members of the public he encountered demonstrated that local residents saw

the visit this way as well. A newspaper cartoon, a framed copy of which Mayor Zuniga presented to the Ambassador, showed the mayor presenting the Ambassador with the keys to the city. Honduras' diplomatic isolation following the coup d'tat was keenly felt even in this business-oriented city, and residents, regardless of their views on U.S. policy, are relieved that it is coming to an end. End comment.

LLORENS